A BILL FOR AN ACT

RELATING TO THE MINIMUM WAGE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that one job should be enough to meet a person's basic needs. According to the department of business, economic development, and tourism, a single adult required an income of $35,143 to achieve self-sufficiency in Hawaii in 2018, while a single parent with one child required an income of $59,428. Yet, at the current statewide minimum wage rate of $10.10 per hour, a full-time minimum wage employee earns only $21,008 annually. Moreover, the National Low Income Housing Coalition's Out of Reach 2020 report estimates that a minimum wage worker would have to work one hundred seventeen hours per week to afford a one-bedroom rental home at local fair market rent.

The legislature further finds that increasing the State's minimum wage will help Hawaii's economy by giving low-wage workers greater purchasing power. According to the department of labor and industrial relations in 2018, following four consecutive years of minimum wage increases, the state
unemployment level reached an all-time low of two per cent, demonstrating that increasing the minimum wage does not adversely impact statewide employment.

The legislature also finds that the virus known as "SARS-CoV-2" causes a disease named "coronavirus disease 2019" (COVID-19), which spread globally and was declared a pandemic by the World Health Organization on March 11, 2020. Upon reaching Hawaii's shores, the COVID-19 outbreak disrupted the local economy, leaving hundreds of thousands of residents unemployed, underemployed, or facing financial hardship. Low-wage workers were disproportionately harmed by Hawaii's economic downturn, which worsened their financial precarity and left thousands of working families unable to pay for food, housing, electricity, and other necessities.

The purpose of this Act is to uplift the prosperity of working families in Hawaii by:

(1) Establishing a small business income tax credit for qualified employers to offset the cost of providing health care coverage for certain employees; and

(2) Increasing the State's minimum wage rate.
SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Small business income tax credit. (a) There shall be allowed to each qualified taxpayer subject to the taxes imposed by this chapter, an income tax credit which shall be deductible from the qualified taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The amount of the tax credit shall be:

(1) Fifty per cent of the cost of providing health care coverage for employees earning less than $25,000 per year; and

(2) Twenty-five per cent of the cost of providing health care coverage for employees earning less than $50,000 per year.

(c) The small business income tax credit shall be equal to the qualified expenses of the qualified taxpayer, up to a maximum of $50,000; provided that if the credit exceeds the qualified taxpayer's income liability, the excess of the credit over liability may be used as a credit against the qualified
taxpayer's income tax liability in subsequent years until exhausted.

(d) Claims for the tax credit under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

(e) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined pursuant to section 704(b) of the Internal Revenue Code.

(f) The director of taxation:

(1) Shall prepare any forms necessary to claim a credit under this section;

(2) May require a qualified taxpayer to furnish reasonable information to ascertain the validity of a claim for credit; and
(3) May adopt rules pursuant to chapter 91 necessary to
effectuate the purposes of this section.

(g) For the purposes of this section:

"Qualified expenses" means costs that are necessary and
directly incurred by the taxpayer for providing mandatory health
care coverage to any employee under a prepaid group health care
plan pursuant to section 393-11.

"Qualified taxpayer" means a business that:

(1) Employs twenty-five or fewer full-time employees, paid
at an average wage of no more than $50,000;

(2) Has a gross income of less than $1,000,000 in the
taxable year for which the credit is being claimed;

and

(3) Employs at least one employee who is compensated at
the minimum wage rate established under section 387-2.

(h) This section shall not apply to taxable years
beginning after December 31, 2026."

SECTION 3. Section 387-2, Hawaii Revised Statutes, is
amended to read as follows:

"§387-2 Minimum wages. (a) Except as provided in section
387-9 and [this section], subsection (b), every employer shall
pay to each employee employed by the employer, wages at the rate
of not less than:

(1) $6.25 per hour beginning January 1, 2003;
(2) $6.75 per hour beginning January 1, 2006;
(3) $7.25 per hour beginning January 1, 2007;
(4) $7.75 per hour beginning January 1, 2015;
(5) $8.50 per hour beginning January 1, 2016;
(6) $9.25 per hour beginning January 1, 2017; 
(7) $10.10 per hour beginning January 1, 2018;
(8) $11.50 per hour beginning January 1, 2022;
(9) $13.50 per hour beginning January 1, 2023;
(10) $14.50 per hour beginning January 1, 2024;
(11) $16.00 per hour beginning January 1, 2025; and
(12) $17.00 per hour beginning January 1, 2026.

(b) The hourly wage of a tipped employee may be deemed to
be increased on account of tips if the employee is paid not less
than:

(1) 25-cents;
(2) 50-cents per hour beginning January 1, 2015; and
(3) 75-cents per hour beginning January 1, 2016;
below the applicable minimum wage by the employee's employer and
the combined amount the employee receives from the employee's
employer and in tips is at least 50 cents more than the
applicable minimum wage, provided that beginning January 1,
2015, the combined amount the employee receives from the
employee's employer and in tips is at least $7.00 more than the
applicable minimum wage. On September 30, 2026, and on
September 30 of each year thereafter, the department shall
calculate an adjusted minimum wage rate to replace the minimum
wage rate established under subsection (a). The adjusted
minimum wage rate shall be calculated to the nearest twenty-five
cents using the Urban Hawaii Consumer Price Index, or a
successor index, for the twelve months prior to September 1 of
each year as calculated by the United States Department of
Labor; provided that if in any year the adjustments based on the
Urban Hawaii Consumer Price Index or a successor index, would
result in a lower minimum wage rate, the adjusted minimum wage
rate shall remain the same as the minimum wage rate in effect
for the year in which it is calculated."

SECTION 4. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 5. This Act shall take effect on July 1, 2021; provided that section 2 of this Act:

(1) Shall apply to taxable years beginning after December 31, 2022; and

(2) Shall be repealed on June 30, 2027.

INTRODUCED BY:

JAN 20 2021
Report Title:
DLIR; Tax Credit; Small Business; Health Care Costs; Minimum Wage

Description:
Establishes a temporary small business income tax credit for qualified employers to offset the cost of providing health care coverage to employees that earn below certain amounts. Raises the minimum wage and establishes an adjusted minimum wage rate for 2027 and after. Repeals the tip credit. Repeals the tax credit on 7/30/2027.

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